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Report of the Executive Board of the United Nations Children's Fund on the work of its first regular session of 2003

(13-16 January 2003)*

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I. Organization of the session

A. Opening of the session

1. Prior to the election of the officers of the Executive Board for 2003, the Executive Director thanked the outgoing President (Colombia) for his effective leadership and the Bureau for its outstanding work during 2002. On behalf of UNICEF, she presented the outgoing President with the traditional engraved gavel and stand.

Election of officers for 2003

2. Following his election as the new President of the Executive Board, H.E. Ambassador Jenö Staehelin (Switzerland) proceeded with the election of the remaining officers of the Bureau. The Executive Board elected the following Vice-Presidents: H.E. Ambassador Lebohang Moleko (Lesotho); Mr. Salman Al-Farisi (Indonesia); H.E. Ambassador Roman Kirn (Slovenia); and H.E. Ambassador Luis Gallegos Chiriboga (Ecuador).

Statements by the President of the Executive Board and the Executive Director

3. In his opening statement, the President of the Executive Board thanked Board members for their confidence and expressed his great respect and admiration for UNICEF in advancing the well-being of the world's children. He also thanked the outgoing President for his able leadership and welcomed new Board members, observer delegations, representatives of National Committees for UNICEF and the new Secretary of the Board.

4. The President expressed the hope that UNICEF would continue to help strengthen the capacity of developing countries and cooperation at all levels. Following a brief overview of the programme of work for 2003, he addressed the methods of work of the Board, including his intention to make increased use of informal meetings. He emphasized the important role of the Bureau as liaison with the secretariat between sessions, and encouraged the Vice-Presidents to maintain regular contact with their regional groups.

5. In welcoming delegations to the first regular session of the New Year, the Executive Director congratulated the newly elected President and Executive Board officers. She also thanked the outgoing Board officers for their exemplary work in the service of the world's children, paying special tribute to the outgoing President.

6. The Executive Director spoke about the importance of strategic partnerships and how, in the months leading up to the General Assembly Special Session on Children, they energized the global review of progress for children and the overall preparatory process. In line with that effort, she announced the establishment of an Office for Public Partnerships at headquarters, to be led by Mr. Cecilio Adorna. She also introduced two new colleagues in the UNICEF Division of Human Resources — Ms. Martina Clark and Ms. Penelope Curling — whose work would focus on problems stemming from the crisis of HIV/AIDS in the work place, and stress management and trauma counselling in support of UNICEF staff, respectively. She welcomed the newly appointed head of the Office of the Secretary of the Executive Board, Mr. Ndolamb Ngokwey, who most recently had served as UNICEF Deputy Regional Director in Abidjan.

7. She provided examples of how the affirmation of political will in Kenya and Afghanistan could transform national policies to address the needs and rights of children in the area of education. In conclusion, she acknowledged that UNICEF was fortunate not only in the quality of its staff, but also in the skills and devotion of its Executive Board, all of whom were united by an irresistible force — "the knowledge that together, we can change the world with children, not just for children". (The full text of her statement is contained in document E/ICEF/2003/CRP.1.)

B. Adoption of the agenda

8. The President informed the Board that the Bureau of the UNDP/UNFPA Executive Board, as well as the UNICEF Executive Board Bureau, had recommended that the joint meeting of the two Boards, originally scheduled for Friday, 17 January, be postponed until the annual session in June. He also suggested that the Executive Board consider the election of the representatives to the WHO/UNICEF/UNFPA Coordinating Committee on Health for 2003-2004 at the end of the present session.

9. The Secretary of the Executive Board presented the agenda, timetable and organization of the session, as contained in E/ICEF/2003/2, which was adopted as amended orally to include the changes mentioned in paragraph 8 above. While recognizing the reasons for postponing the joint meeting, one delegation, also on behalf of another delegation, expressed regret about this missed opportunity to discuss the important issues of coordination and collaboration, and asked that such postponements be avoided in the future. He suggested that an item on planning for the joint session be added to the agenda of the second regular session in September.

10. In accordance with rule 50.2 and the annex of the rules of procedure, the Secretary of the Executive Board announced that 51 observer delegations had submitted credentials to the session. In addition, one United Nations body, three specialized agencies, one intergovernmental organization, five National Committees and Palestine had also submitted credentials.

II. Deliberations of the Executive Board

A. Report of the Executive Director (Part I): Annual report to the Economic and Social Council

11. The Director, Office of United Nations Affairs and External Relations, introduced the report of the Executive Director (E/ICEF/2003/4 (Part I)) and a note by the secretariat on recent reports prepared by the Joint Inspection Unit (JIU) that were of specific relevance to UNICEF (E/ICEF/2003/5).

12. Delegations spoke favourably of the report and the work of UNICEF in support of reform and follow-up to the triennial comprehensive policy review. The secretariat took note of the views expressed by delegations with regard to the need for further improvements to the report to the Economic and Social Council and of other specific issues requiring greater attention. The Director also noted the importance of national ownership of country programmes and the role of the

Executive Board, saying that UNICEF was addressing these issues through both its country programmes and the United Nations Development Group (UNDG) and Chief Executives Board (CEB). He said that the secretariat would report on additional areas raised by delegations on future occasions, including the substantive session of the Economic and Social Council in July 2003, the joint meeting of the Executive Boards of UNICEF, UNDP/UNFPA and WFP in June 2003, and future sessions of the Executive Board.

13. Speakers drew attention to priority areas for increased activity related to the triennial comprehensive policy review of operational activities, including the centrality of capacity-building, analysis of results and benefits of reforms on programme implementation, and the need to address the gender imbalance in the number of resident coordinators. The Common Country Assessment (CCA) and United Nations Development Assistance Framework (UNDAF) received particular attention, with some delegations requesting an evaluation of lessons learned that could inform the second generation of CCAs and UNDAFs.

14. Other areas of specific interest included: coordination of humanitarian activities; cooperation on issues of gender, education (particularly girls' education), health, HIV/AIDS, child protection, follow-up to the Special Session on Children and other international conferences, in the context of the Millennium Development Goals; evaluations of the impact of the reforms on UNICEF country programmes; national execution; and collaboration with other United Nations partners, the Bretton Woods institutions and regional development banks.

15. Addressing the concern raised by a number of delegations regarding the importance of independent evaluations, the secretariat said that the triennial comprehensive policy review called for a number of independent evaluations and that UNICEF was an active participant in the process.

16. The Executive Board took note of the report of the Executive Director and requested the secretariat to transmit it, along with a summary of the comments made during the discussion, to the Economic and Social Council for consideration at its substantive session of 2003 (decision 2003/1). The Board also took note of the report on the activities of JIU of relevance to UNICEF (decision 2003/2).

17. Under the same agenda item, Mr. Kul Gautam, Deputy Executive Director, spoke about follow-up to international conferences, especially the General Assembly Special Session on Children, and introduced a report on the subject (E/ICEF/2003/CRP.3). He stressed the commitment of UNICEF to follow-up to the Millennium Summit and other recent summits, especially the International Conference on Financing for Development, the World Summit on Sustainable Development and the Special Session on Children. The UNICEF medium-term strategic plan (MTSP) defined the organization's role in and contribution to achievement of the goals of the major international summits and conferences. He added that at least 12 countries had completed national plans of action (NPAs) for children before the Special Session and were updating them, 12 countries had completed NPAs since the Special Session, and at least 40 to 50 countries had follow-up efforts under way.

18. Several delegations welcomed the fact that the outcome document, "A World Fit for Children", allowed for a variety of approaches to following up the Special Session, including but not limited to, NPAs. It was also said that national

Governments should take the lead in determining appropriate methods of follow-up to the Special Session. A number of delegations said that UNICEF should provide policy and statistical advice to developing countries as part of its support for this follow-up, but others said that UNICEF should also continue to provide technical support in such areas as health, nutrition, child protection, education, and water and sanitation. Speakers stressed that growth in regular resources contributions to UNICEF was essential for the organization to continue supporting the achievement of the goals of the major international summits and conferences. The Deputy Executive Director reiterated the importance of adequate financial resources to the achievement of the goals of "A World Fit for Children". He also called upon all countries to ratify the two Optional Protocols to the Convention on the Rights of the Child.

B. HIV/AIDS and young people: oral report

19. The Chief of the HIV/AIDS Unit and his team presented an oral report on the situation of young people and HIV/AIDS and the response of UNICEF. The Chief focused on the effect of the pandemic on young people. Delegations were told that 12 million young people currently live with HIV/AIDS and that one half of all new infections occur among 15- to 24-year-olds, with girls especially vulnerable to infection. The prevalence of HIV is increasing in all regions, but young people still lack information about the disease and how to protect themselves. However, there are signs of hope. National commitment is critical in reducing HIV prevalence through the promotion of knowledge, skills, services and a supportive environment. Most important is breaking the wall of silence through strong leadership, the involvement of young people, massive increases in funding, and surveillance and monitoring. Members of the team explained why young people were at the centre of the crisis and how they could be part of the solution.

20. All of the speakers addressing this agenda item thanked the presenters, praised the thoroughness of the presentation and expressed appreciation for the topical discussion. The majority of delegations echoed the presenters, stating that HIV/AIDS prevention activities among young people should be a cornerstone of activities of youth HIV/AIDS programming, but that such efforts should be based on a comprehensive approach that respects the continuum of prevention to care and support. Many speakers spoke about the particular vulnerabilities of young people and pronounced that interventions should be reflective of local values and support family- and/or community-based strategies, with particular attention to girls. Some delegations emphasized the importance of youth participation in programme planning and policy development, reproductive health care and services, and sexuality education, as well as the need for the continued strengthening of United Nations and civil society partnerships for national-level planning.

21. Particular concerns raised included: the effects of famine on the already HIV/AIDS ravaged countries of Africa; the need for investing in regions with low prevalence; partnerships for condom distribution; the relationship between female genital mutilation and HIV transmission; the availability of anti-retroviral drugs for young people; and ensuring that UNICEF staff have the capacity to address culturally sensitive issues surrounding HIV/AIDS.

22. The representative of UNFPA informed that the most important aspects of UNFPA collaboration with UNICEF take place at the country level. UNFPA aimed to provide collaborative and complementary support to HIV/AIDS activities in general as well as to countries to strengthen their programmes in HIV/AIDS prevention for pregnant women and young people. The speaker said that UNFPA was the focal point for the comprehensive condom programme for the United Nations system. The organization also supported a major reproductive health initiative aimed at assessing needs and providing financial support. In conclusion, the speaker said that UNFPA was committed to collaborate with UNICEF and its other United Nations partners in this area.

23. In response to the questions raised, the Chief stated there had been increased political and financial support for youth HIV/AIDS programming. However, a dramatic increase in commitments was needed if UNICEF was to confront the challenges of an epidemic that affected youth disproportionately.

24. Additionally, the HIV/AIDS team said that what needed to be done was known based on science and experience. Programmatic efforts needed to include the provision of information, life skills, health services and social services. There needed to be a comprehensive approach that invested in children from childhood to adulthood. There was not one solution, but rather several ("A" Abstinence; "B" Be Faithful; "C" Condoms for those who were sexually active) that needed to be reflective of local values and support family- and community- based strategies, with particular attention to the vulnerability of girls.

25. The secretariat also referred to its work with its United Nations partners, non-governmental organizations, civil society and young people themselves to address these issues through inter-agency technical groups, compiling lessons learned and developing standards of excellence. It was also noted that UNICEF had hired someone to specifically address the issue of staff capacity in dealing with the sensitive issues surrounding HIV/AIDS programming. While this was a priority for UNICEF, resources would dictate the speed with which the organization would be able to train all staff.

C. Progress report on UNICEF engagement in sector-wide approaches to development

26. The Executive Board had before it a progress report on UNICEF engagement in sector-wide approaches (SWAps) to development (E/ICEF/2003/6), which was introduced by the Chief of the UNICEF Global Policy Section. Most speakers noted the increased engagement of UNICEF in SWAps, with some indicating that they had received positive feedback from their embassies or field offices, although the degree of involvement varied from one country to another. Several delegations commended the focus of UNICEF on specific areas within SWAps, notably: advocacy for children's rights, for reaching the poor and for achieving results; the provision of technical assistance; and support for cross-sectoral activities and the participation of civil society organizations (CSOs). A number of speakers agreed that the narrow definition of a sector affected CSO participation, and UNICEF was urged to promote their participation in SWAps and to work with other partners on monitoring.

27. Some delegations sought clarification on the UNICEF policy on basket funding and encouraged the organization to participate in this arrangement as a sign of greater commitment to SWAps. One speaker announced his Government's preference for earmarking funds because it ensured both visibility for the donor and better accountability. Another delegation asked why only a few countries had adopted basket funding as their preferred mechanism for channelling funds to SWAps. It was also pointed out that the comparative advantage of UNICEF was in the provision of technical assistance and not in basket funding. The secretariat replied that the UNICEF financial rules permitted UNICEF participation in basket funding, but that SWAps were not synonymous with basket funding. A decision to pool regular resources was considered on a case-by-case basis, assuming that there was value added to UNICEF participation in common pools, that there was sufficient financial accountability and that pooling funds was in the best interest of children. Regarding other resources, UNICEF would have no problem with passing donor funds to a common pool if the donor agreement stipulated that as the purpose and UNICEF was relieved of financial accountability. To date, no donor had requested such an arrangement. In addition, Governments in some developing countries were not inclined to use basket funding because of weak national capacities and the risk of losing donor confidence by adopting certain policies prematurely.

28. Speakers emphasized the importance of government ownership of SWAps. One delegation stressed that SWAps should not constrain the autonomy of Governments, especially in countries where official development assistance contributes a major share of the gross domestic product. Another speaker said that SWAp concepts should be adapted to different national situations. A third speaker, representing a country that is implementing SWAps in several sectors, commended UNICEF for its efforts in strengthening national ownership.

29. Some delegations said that that they did not agree with the report's contention that there was tension between SWAps and poverty reduction strategies, and instead saw the former as a building block of the latter. Other speakers suggested that UNICEF determine where to invest its limited resources. The secretariat replied that, in practice, various initiatives competed for attention and, thus, made increasing demands on the human resources of both national Governments and development partners. In a few instances, the macro-policies of poverty reduction strategies had restricted the flow of resources to social sectors. To a question about the relationship between the New Economic Partnership for Africa's Development (NEPAD) and SWAps, the secretariat replied that NEPAD embraced the Millennium Development Goals and poverty reduction strategy principles, both of which were often reflected in SWAps.

30. Several delegations recommended that UNICEF strengthen its capacity to enhance its engagement in SWAps. They asked for information on the organization's plans for capacity development and how it facilitated the exchange of experiences across regions. The secretariat cited several mechanisms that facilitated the exchange of information and experiences among UNICEF staff, including global consultations of regional staff in the areas of planning, monitoring and evaluation, health, nutrition and education, as well as intraregional consultations, which would be strengthened in the coming years.

31. It was agreed that the issue of UNICEF engagement in SWAps would be included in the Executive Director's annual report from 2004 onwards and that a separate report would be submitted to the Board in 2006.

D. UNICEF financial report and audited financial statements for the biennium ended 31 December 2001 and report of the Board of Auditors

32. The Deputy Executive Director, Ms. Karin Sham Poo, introduced the report (A/57/5/Add.2), drawing the Board's attention to the fact that UNICEF has received an unqualified audit opinion since 1988, which represents the importance the organization places on financial management. She also informed delegations that the Board of Auditors' recommendations contained in the current report were being implemented and, as was usual practice, UNICEF would report formally on the status of these recommendations later in the year.

33. Several comments were made about trust funds. As to why income and expenditure for trust funds were not included in the report, the Deputy Executive Director drew the Board's attention to annex II of the report which contained a definition of trust funds. They are funds accepted by UNICEF mainly to cover the costs of procurement of supplies and services undertaken by the organization on behalf of others and, therefore, not considered to be UNICEF income.

34. Concerning the amount of the funds and their purpose, she drew the Board's attention to paragraph 5 of the financial report which stated the amount received from trust funds, adding that they were related to children's activities, but not directly to programmes of cooperation approved by the Executive Board. She pointed out that statement V of the report showed all financial resources, including trust funds. Additionally, she said that schedule 3 of the report listed the procurement services and other services undertaken by UNICEF on behalf of others. The rules governing trust funds were clearly spelled out in the UNICEF Financial Regulations and Rules. The only change, she said, had been the name. On the recommendation of the Advisory Committee on Administrative and Budgetary Questions, and to be consistent, special accounts were now referred to as trust funds.

35. On the issue of encumbered balances, the Deputy Executive Director explained that most programmes were approved for five years, at the end of which any unspent balances were cancelled and returned to regular resources. The same applied to management and administration and programme support allocations.

36. Several speakers addressed the recommendations of the Board of Auditors which, they felt, gave UNICEF good marks. There were, however, a number of items that needed clarification. One delegation asked how UNICEF managed investments, noting the relative concentration of spending in the last few months. The same speaker, also commenting on the trust funds, expressed the view that the Board required more specific information and that, as a matter of principle, these funds should be presented as income as suggested by the Board of Auditors and the Advisory Committee. The Deputy Executive Director replied that a detailed schedule had already been prepared and that the secretariat would report on progress at the second regular session in September 2003. On why trust funds could not be presented as income, she made reference to her earlier response (see paragraphs 33

and 34 above). As a footnote, she informed the Board that one United Nations agency had to restate its financial statement because it had included the Oil-for-Food programme as income when, in fact, it was a trust fund.

37. In response to a query about whether contributions receivable prior to 1999 and for 1999 were collectible, and whether the $5 million provision was adequate, the Deputy Executive Director said that donors to UNICEF had a good track record, and she felt that the $5 million provision was realistic. She added that write-offs were infrequent and occurred only after all possible means of recovery had been exhausted.

38. A number of questions and comments relating to specific figures in the financial report were also raised, to which the Deputy Executive Director stated that due to the more detailed nature of the questions, a response would be provided directly to the delegation. The Executive Board took note of the report (decision 2003/3).

E. The UNICEF recovery policy

39. The report on the UNICEF recovery policy (E/ICEF/2003/AB/L.1) was introduced by the Deputy Executive Director, Ms. Karin Sham Poo. Requested by the Executive Board in 1998 for review in 2002 (E/ICEF/1998/6/Rev.1, decision 1998/21), the present report was rescheduled for the present session to enable the Board to also take into account a JIU study on "Support costs related to extrabudgetary activities in organizations of the United Nations system" (JIU/REP/2002/3). Following her introductory remarks, the Comptroller gave a Power Point presentation to further elaborate on the UNICEF funding structure, and the methodology used to propose the revised recovery rate of 12 per cent as well as the incentive sliding scales. She also reviewed the comments of the Advisory Committee on Administrative and Budgetary Questions on the recovery paper (E/ICEF/2003/AB/L.2) and the secretariat's response to them.

40. Delegations expressed appreciation to both the Deputy Executive Director and the Comptroller for their presentations and efforts to further clarify the recommendations. Many delegations reiterated that regular resources should not subsidize other resources. It was felt that the decline in regular resources needed to be addressed, and for the recovery to reflect actual cost, the rate had to be increased. It was also pointed out that the need to increase the recovery rate was not only an accounting issue, but impacted on the overall health of the organization owing to the change in its funding structure over the years. Several delegations also concurred with the need to promote core contributions and said that thematic funding was the next best thing for UNICEF.

41. Several delegations sought further clarifications and expressed reservations about approving the proposed rates. One delegation suggested a fixed rate of 8 per cent, with a 1 per cent surcharge or discount to take into account administrative costs. Some speakers questioned the sliding scale as it might lead to protracted negotiations. On the other hand, some speakers felt it appropriate to take into account the size, timing of payment and the area of contribution as proposed. Some delegations cautioned that complexity might deter donors, particularly the private sector, and noted the need to ensure transparency and avoid the possibility of private deals.

42. The Comptroller clarified that the rates would be fixed following the clear criteria on the use of thematic funding, the timing of payment and the size of contribution, all of which directly reflected the reduction in the transaction costs of managing other resources. The most important reduction for UNICEF would encourage contributions to thematic funds, with consolidated reporting. This would be for the five MTSP priorities and emergencies, which would meet UNICEF programmatic priorities while reducing transaction costs. The second category of reductions would acknowledge donors who made payments at the beginning of the project. The third category would recognize the size, as larger contributions decreased transaction costs. The Deputy Executive Director agreed with the need to avoid prolonged negotiations, which the proposed clear rates would facilitate. The Director of the Programme Funding Office (PFO) also confirmed that the detailed process would be explained to all offices even though the agreements with donors were signed at headquarters.

43. Two delegations felt there was an impression that donors demanded too much detail. The increased rate might discourage donors and more responsiveness to donors was required. The Director of PFO reiterated that donor demands were not considered problematic, but that a significant move towards thematic programmes would strengthen the UNICEF MTSP goals linked to broader development goals. Such a direction would enable UNICEF to become more involved in the big picture of development work. The secretariat would advocate the need for thematic funding to all donors. Specific reporting would continue, but reflect the increased transaction cost in accordance with the Executive Board stated principle that regular resources should not subsidize other resources.

44. On the concern raised about the use of recovery costs for the support budget, the Deputy Executive Director explained that the support budget was maintained as low as possible, adding that it had remained at the same net level for the past six years. While even the mandatory increases and additional costs of new offices were absorbed through continuous efficiency measures, it would no longer be possible with new increases, including salaries approved by the General Assembly effective 1 January 2003. She also emphasized that UNICEF did not want to reduce the funds available for regular resources programmes.

45. Two delegations requested clarification on the financing and reporting of trust funds. The Deputy Executive Director explained that trust funds were held on behalf of donors and deposited with UNICEF 100 per cent in advance. The surcharge covered the real cost, and only one financial report was provided. As to reporting in the financial statements compared to those of UNDP, she mentioned that the other activities were considered other resources by UNICEF. The Comptroller agreed to follow-up on the UNDP format for more details to be provided in the UNICEF financial statements.

46. Several speakers requested more information on variable support costs at headquarters and wanted to know why the recovery rate was being increase from 3 per cent to 6 per cent. The Comptroller responded that much of the increased cost for other resources, while being for the field, was supported from headquarters, e.g. the Programme Manager System, while the remainder was due to the difference in the old and new methodology. The new methodology followed the recommendation of JIU.

47. On the question of a possible interim rate, the Deputy Executive Director indicated that the existing system was, as decided by the Board in 1998, an interim solution. Any decision would have an impact only on new agreements, which would take some time for full implementation.

48. Several delegations mentioned that other resources must be fully in line with MTSP priorities, and advocated for a campaign to encourage contributions to thematic funds. The Deputy Executive Director reported that funding on organizational priorities in the MTSP approved by the Executive Board would be around 90 per cent. The Director of PFO also provided some examples of allocation of thematic funding that would be based on greatest needs and impact in the approved country programmes. While the allocation would be based on the MTSP priorities within the context of country programmes, the emergency thematic areas would be based on the Consolidated Appeal Process.

49. A speaker suggested that the discounted rate for early payment go into effect within 90 days rather than 30 days, and questioned whether the increase from the current 5 per cent to the proposed 12 per cent rate was not too high. The Deputy Executive Director clarified that the proposed 30-day allowance was from the date of the signing of the agreement. As to the major increase, she explained that the previous rate was already calculated at 9 per cent, but the deduction of interest income had brought it down to 5 per cent. With the new methodology, the rate was calculated at 12 per cent. Taking into account the recommendation of the Advisory Committee not to use the interest to reduce the recovery rate, it had to remain at 12 per cent if regular resources were not to be used to subsidize other resources as per Executive Board directions.

50. A number of delegations sought clarification on the differing views of JIU and the Advisory Committee on the use of the interest. The Deputy Executive Director explained that the JIU report indicated that organizations might wish to reduce extrabudgetary support costs by using interest rates, without insisting upon it, whereas the Advisory Committee recommended to UNICEF that the interest should go to regular resources. UNICEF agreed with the Advisory Committee recommendation in view of the uncertainty of the interest income. As confirmed in the Comptroller's presentation, the interest rates had indeed decreased from 6 per cent in 1998 to less than 2 per cent currently.

51. On the question of funds raised in programme countries with a 5 per cent cap, the Comptroller clarified that this was for local fund-raising by the Private Sector Division (PSD) and country offices, and not for fund-raising efforts with donors. One delegation asked about the impact of the proposed change on funding by National Committees. The Deputy Executive Director replied that National Committee funding was highly valued, both to regular resources and other resources, with UNICEF continuing to encourage the regular resources share. Since all National Committee funding was paid up front, they would automatically receive the 2 per cent reduction, and an additional 1 per cent when contributions were over $500,000.

52. One delegation advocated for full cost recovery since other resources had grown considerably and were consistently higher than regular resources. This would ensure the principles of universality, impartiality and involvement of programme countries. The Comptroller elaborated that the 1998 rate was also based upon incremental cost recovery following the Executive Board approved policy. While

fixed cost recovery might be 21 per cent, it would not be appropriate to recover that amount. The principle remained that fixed costs would be required even if there were no other resources funding.

53. Another speaker raised the concern of small donors who wondered whether they would not be penalized with a higher rate. The Deputy Executive Director explained that size was only one element, and if the other two criteria of up front payment and contributions to thematic funds were met, the rate might not exceed 8 per cent.

54. The importance of harmonization and a common United Nations model was stressed by several delegations. The Comptroller confirmed the ongoing process within UNDG on harmonization. The JIU report required comments from CEB, which was also a work in progress. The impact of extrabudgetary resources was common to all funds and programmes, and it was possible to have a common principle and methodology, even with different rates, to take into account different mandates and cost structures. The Deputy Executive Director also mentioned that JIU had also initially considered unified rates, but after its review recommended the same methodology with different rates because of different operational modalities. As UNICEF was the first organization to submit a recovery policy after the JIU report, its decision was important for the other funds and programmes to note. The Comptroller also added that it would be an additional incentive to adopt harmonized methodology.

55. Some delegations expressed satisfaction with the responses on harmonization and the need to set a precedent for others. Several delegations pointed out that the issue had become very clear on the need for core resources to be used for corporate priorities. If other resources support costs were not recovered, it would undermine UNICEF policy. The proposal came closest to recover the actual costs and no special treatment was proposed for individual donors. The reductions were an actual reflection of transaction costs.

56. The representative of the Standing Group of National Committees expressed concern about the need to understand the competitive environment for donations from the private sector, adding that they should not be treated the same way as those from Governments. He highlighted the need for improved reporting on regular resources and more responsiveness towards donors, suggesting a flat rate for the private sector. He also flagged the lack of consultation with National Committees on the recovery policy.

57. The Comptroller voiced concerns about the conflicting messages from the governing body, and urged the Board not to send the wrong signals to other United Nations organizations and not to delay a decision. The Deputy Executive Director, in her concluding remarks, thanked delegations for their valuable comments while noting contradictions in some comments. She recalled the interim nature of the existing policy, adding that a new policy would be applicable only for new agreements that would take some time to have a full impact. She also emphasized the urgency of reaching a decision as the recovery rate would impact upon the preparation of the support budget for the next biennium, which would be reviewed by the Advisory Committee in October 2003 for consideration by the Board at an extraordinary session in December 2003.

58. The Executive Director remarked that donors were very important and that the secretariat would do what was required to carry out the UNICEF mandate. Despite some contradictions, she noted a general consensus that regular resources should not subsidize other resources. Other resources were more costly operationally, and while they were appreciated, regular resources were very important for UNICEF. She recognized that the trend was for increased levels of other resources and that UNICEF had to live by it while trying to stabilize the trend. She also emphasized that the recovery policy was not just an accounting issue, but a fundamental issue of UNICEF work in support of children. She concluded be stressing the urgency of the decision to take into account what was best for carrying out country programmes for children.

59. The Executive Board took note of the recovery policy paper and report of the Advisory Committee, and requested the Executive Director to continue consultations with all parties concerned with a view to submitting this issue to the Executive Board for decision at its 2003 annual session in June.

F. Review of the supply function in UNICEF

60. The Executive Board had before it a report on the UNICEF supply function in the context of the MTSP (E/ICEF/2003/7), which was introduced by the Director, Supply Division. Delegations expressed support for the supply function, recognizing its relevance to the implementation of the MTSP and its importance in emergencies.

61. In response to comments that the report could have included more specific details on activities and timelines in addressing challenges facing the supply function, the Director said that specific actions would be evident from organizational work plans. He confirmed that Supply Division was assessed regularly by both internal and external auditors, and that an external evaluation of vaccine procurement had recently taken place within the context of the Global Alliance for Vaccines and Immunization. To another query, he confirmed that UNICEF did not receive tied aid.

62. Delegations urged UNICEF to continue its leadership role in the area of vaccine security together with other partners, including WHO, bilateral development agencies and the vaccine industry. The Executive Director confirmed her and the organization's commitment to this issue. The Director agreed with speakers who encouraged the increased use of vaccine manufacturers in developing countries, saying that Supply Division was increasing its contacts with a number of such manufacturers to motivate their participation in UNICEF tenders. He stressed that UNICEF maintained a close working relationship with WHO in terms of quality assurance of vaccines and agreed to help facilitate the pre-qualification of interested vaccine manufacturers.

63. Speakers expressed support for the increasing role played by UNICEF in the supply of HIV medicines, particularly anti-retroviral drugs, with some saying that UNICEF was in a special position to support the strengthening of in-country security in the receipt and distribution of these products. Some delegations urged UNICEF to use its advocacy to influence agreements of the World Trade Organization (WTO) on the trade-related aspects of intellectual property rights (TRIPS) that would facilitate access of countries to HIV medicines. The Director replied that Governments had the right to determine how best to ensure access to

HIV medicines, but that it would become more engaged in discussions on WTO/TRIPS agreements with partners and the pharmaceutical industry.

64. Several delegations expressed support for the further decentralization of procurement in UNICEF, although they recognized the high level of local procurement already undertaken by the organization. The Director stressed the importance of the regional procurement centres in Ankara and Pretoria, as well as of the work carried out by supply centres in the UNICEF offices in Beijing, New Delhi and Nairobi. He added that in the context of emergency preparedness, UNICEF was also considering the establishment of regional hubs for the stockpiling of essential commodities for immediate deployment to crisis points.

65. Speakers also urged UNICEF to continue to source new suppliers and to facilitate supplier registration procedures. The Director said that UNICEF would continue to seek new suppliers by providing full information through its web site and holding seminars to attract and inform new suppliers. He added that Supply Division was working with the other United Nations procurement agencies through the Inter-Agency Procurement Working Group to streamline common standards for supplier registration using the United Nations Common Supplier Database. To support the development of national procurement and supply systems, Supply Division provided informational and technical support, and worked with countries to better determine their long-term supply needs for specific programmes, including increased attention to commodity assessments as part of SWAps and Poverty Reduction Strategy Papers. UNICEF support to specific country institutions, such as central medical stores, varied country to country according to need.

G. Private Sector Division work plan and proposed budget for 2003

66. The Executive Board had before it for review and approval the PSD work plan and proposed budget for 2003 (E/ICEF/2003/AB/L.3), which was introduced by the Director, PSD. He began with a positive comment on a new record year in earnings for PSD based on the provisional input from National Committees, boosted by a one-time unique contribution from the Gaffe Legacy in France. In spite of a not so encouraging economic climate, the performance of PSD for the fiscal year just completed, was exceeding both plan and prior year's results. He also noted that in 2003, the Board would begin to observe the benefit of the Division's new strategic direction and its further consolidation in Geneva.

67. The majority of delegations addressing this agenda item expressed appreciation for the Division's compliance with the Board's request to include a comprehensive business plan in the report and found it to be quite informative. Some delegations were pleased to note the accomplishments in fund-raising, particularly the completion of the private sector fund-raising (PSFR) strategy and were looking forward to its roll out. However, the need to continue seeking new opportunities in fund-raising in order to achieve targets was also emphasized.

68. A number of speakers commended PSD for the resulting efficiency in the consolidation in Geneva, particularly the decrease in operating expenses in Marketing. They also noted the impressive work accomplished during 2002 given the short timeframe.

69. One delegation expressed concern about the optimistic latest estimates for card and gift sales. The same delegation also stated that the budgeted expenditures for 2003 were too high compared to 2001 actual, and that the income projected for 2003 were unrealistic. The Director responded that the figures for sales in the work plan and budget were reliable as they were provided by the National Committees and confirmed by them in December 2002. The 2002 actual performance would be summarized and reported to the Board at its second regular session in September 2003.

70. Another speaker noted that the increase of 13 per cent in the projected gross proceeds from the field offices might have been opportunities overlooked in the past, and applauded the Division's efforts to target a younger audience in the card and gift sales business.

71. According to some delegations, the relationship between National Committees and PSD had improved substantially. The PSFR Task Force was a very good example of the ongoing cooperation between the National Committees and PSD.

72. The Executive Board approved the PSD work plan and proposed budget for 2003 (decision 2003/4).

H. Report on the eighth meeting of the UNESCO/UNICEF Joint Committee on Education

73. The Executive Board had before it the report of the eighth meeting of the UNESCO/UNICEF Joint Committee on Education (JCE) (E/ICEF/2003/8). The report was presented by the former Vice-President of the Executive Board, H.E. Mr. Crispin Grey-Johnson, who had attended the meeting on behalf of the President and been elected its chairperson. He said that JCE had reviewed the collaboration between the two agencies in recent years and agreed that it had been strengthened at international, regional and national levels through such mechanisms as UNDAF, poverty reduction strategies and SWAps. Thus, JCE had decided that it had fulfilled its original mandate and should be discontinued, given these new institutional arrangements which ensured UNESCO/UNICEF collaboration. He presented this recommendation for the endorsement of the Executive Board. (The full text of his remarks is contained in document E/ICEF/2003/CRP.4.)

74. Delegations commended the work done by JCE since its inception in 1989 and agreed that collaboration between UNESCO and UNICEF was now ensured by the newer mechanisms. The representative of UNESCO agreed, saying that on the assumption that the UNICEF Executive Board would endorse the JCE recommendation, the Director-General of UNESCO would make the same recommendation to his Executive Board at its upcoming session in March 2003. He added that the discontinuation of JCE would by necessity imply greater efforts on both sides to keep the respective Executive Boards informed of the progress achieved and difficulties encountered in the pursuit of collaboration between the two agencies.

75. The Executive Board agreed with the recommendation of JCE that the Committee be discontinued, and requested the UNICEF secretariat to work with the UNESCO secretariat to propose how to strengthen coordination within existing structures (decision 2003/5).

I. Pledging event

76. The Executive Director opened the fourth pledging event by stating that the availability and predictability of regular resources were essential to the organization's capacity to deliver the result-oriented programme envisaged in the MTSP. She expressed appreciation that Governments were recognizing the threat posed to UNICEF activities by stagnating regular resources. She mentioned that for 2002 there was a slight reversal of this trend, with preliminary figures indicating an upturn in regular resources from Governments of approximately 5 per cent compared to 2001.

77. The Executive Director expressed appreciation for the voluntary contributions made to UNICEF regular resources for 2002. She thanked 33 high-income countries, 38 middle-income countries and 17 low-income countries for their support, which was seen as a reflection of their Governments' support and the importance they attached to the work of UNICEF. The Executive Director made special reference to 27 countries that had increased their contributions, in particular, the 19 countries with increases of 7 per cent or more. She further thanked the programme countries for their support, which demonstrated the broad support that UNICEF enjoyed and the burden-sharing that existed among all the partners.

78. Thirty-five delegations made interventions: 18 from high-income countries; 6 from middle-income countries; and 11 from low-income countries. Including the pledges received prior to the pledging event, the secretariat received 62 pledges amounting to $391.8 million. Forty-four countries gave firm pledges and 18 countries gave indicative pledges. A total of 19 countries provided payment schedules and 10 countries gave tentative pledges for future years.

79. Several delegations made reference to the discussions at the fifty-seventh session of the General Assembly on the status of the United Nations Pledging Conference for Development Activities and the decision to postpone a substantive resolution to a later date. Speaking on behalf of several delegations, one delegation expressed regret that the General Assembly had decided to postpone a decision on joint pledging sessions with other United Nations funds and programmes in the context of joint meetings of their Executive Boards. Other delegations expressed views on the importance of adequate resources for operational activities for development of the United Nations system and their willingness to continue the discussion on the modalities of the pledging mechanisms.

80. In closing, the Executive Director expressed gratitude to all the delegations for their statements and their pledges announced during the session, and indicated that the results of the event would be provided at a later date (see E/ICEF/2003/CRP.6).

J. Other matters

81. The representatives of Colombia and the Gambia reported on regional meetings held in their countries to discuss implementation of the MTSP in the Americas and the Caribbean and in West and Central Africa, respectively (see documents E/ICEF/2003/CRP.5 and E/ICEF/CRP.7, respectively). The meetings had focused on MTSP roll out, cooperation between Governments and UNICEF, monitoring and evaluation, and, in the case of the Africa meeting, the relationship

with NEPAD. The Executive Director said that the meetings had been very useful for UNICEF and provided useful information on lessons learned.

82. A delegation asked if it would be possible to change the timing of the first and second regular sessions each year by scheduling them somewhat later than mid-January and early September. Because the sessions were scheduled just after holiday periods, delegations did not have sufficient time to prepare for them. The Executive Director replied that the scheduling of the sessions depended upon the workload of the Department of General Assembly and Conference Management, but the secretariat would look into the matter.

83. Another speaker enquired about the following issues:

(a) The status of informal discussions on the Executive Board's working methods, which had begun at the second regular session of 2002, and which he suggested be continued at the annual session in June;

(b) The status of the revised terms of reference for Executive Board field trips, which he said should be discussed by the Board prior to this year's visits;

(c) A request that the secretariat report to the Board on child protection;

(d) A request that the secretariat organize a discussion on UNICEF collaboration with private companies.

84. Another delegation requested that the secretariat organize a briefing on UNICEF involvement with TRIPS, especially in the health sector.

85. The Executive Director said that she would discuss all of these issues with the Bureau at its meeting the next day.

K. Closing of the session

86. The Executive Director thanked the President, other members of the Bureau and the Executive Board for a good session, and said she looked forward to continuing their dialogue during the year.

87. The President said that throughout the week, there had been good discussions of important questions. On the annual report to the Economic and Social Council, speakers saw the need for a systematic approach to United Nations funds and programmes so as to reinforce their effectiveness. The discussion on the recovery policy had shown that it was important to have a dialogue with all partners. The informal presentations on humanitarian affairs and on the situation in Africa had been very rich, and he hoped that these types of issues could be on the formal agendas of upcoming sessions.

III. Decisions adopted by the Executive Board

2003/1
Annual report to the Economic and Social Council

The Executive Board

1. *Takes note* of the "Report of the Executive Director: Annual report to the Economic and Social Council" (E/ICEF/2003/4 (Part I));

2. *Requests* the secretariat to transmit it, along with a summary of the comments made during the discussion, to the Economic and Social Council for consideration at its substantive session of 2003.

First regular session

13 January 2003

2003/2
Report on the activities of the Joint Inspection Unit of relevance to UNICEF

The Executive Board

Takes note of the report by the secretariat on "Activities of the Joint Inspection Unit of relevance to UNICEF" (E/ICEF/2003/5).

First regular session

13 January 2003

2003/3
UNICEF financial report and audited financial statements for the biennium ended 31 December 2001 and report of the Board of Auditors

The Executive Board

Takes note of the "UNICEF financial report and audited financial statements for the biennium ended 31 December 2001 and report of the Board of Auditors" (A/57/5/Add.2).

First regular session

14 January 2003

2003/4
Private Sector Division work plan and proposed budget for 2003

A. Private Sector Division budgeted expenditures for the 2003 season

The Executive Board

1. *Approves* for the fiscal year 1 January to 31 December 2003 budgeted expenditures of $80.9 million as detailed below and summarized in column II of table 7 to document E/ICEF/2003/AB/L.3:

(In millions of Unites States dollars)

Commissions — field offices	1.4
Cost of goods delivered	29.7
Marketing expenditures	19.7
Support Services	15.9
Investment funds	14.2
Total expenditures, consolidated	**80.9**

2. *Authorizes* the Executive Director:

(a) To incur expenditures as summarized in column II of table 7 to document E/ICEF/2003/AB/L.3 and to increase expenditures up to the level indicated in column III of the same table should the apparent proceeds from card and gift sales and/or private sector fund-raising increase to the levels indicated in column III, and accordingly, to reduce expenditures below the level indicated in column II to the extent necessary, should the net proceeds decrease;

(b) To redeploy resources between the various budget lines (as detailed in paragraph 1 above) up to a maximum of 10 per cent of the amounts approved;

(c) To spend an additional amount between Executive Board sessions, when necessary, up to the amount caused by currency fluctuations, to implement the 2003 approved work plan.

B. Budgeted income for the 2003 season

The Executive Board

Notes that for the period 1 January to 31 December 2003, PSD net proceeds are budgeted at $276.8 million (regular resources) as shown in column II of table 7 to document E/ICEF/2003/AB/L.3.

C. Policy issues

The Executive Board

1. *Renews* investment funds with $14.2 million established for 2003;

2. *Authorizes* the Executive Director to incur expenditures in the 2003 fiscal period related to the cost of goods delivered (production/purchase of raw materials, cards and other products) for the 2004 fiscal year up to $30.5 million as indicated in the PSD medium-term plan (see table 6 of document E/ICEF/2003/AB/L.3).

D. Medium-term plan

The Executive Board

Approves the PSD medium-term plan as reflected in table 6 to document E/ICEF/2003/AB/L.3.

First regular session

15 January 2003

2003/5
Discontinuation of the UNESCO/UNICEF Joint Committee on Education

The Executive Board

Agrees with the recommendation of the Joint Committee on Education, as contained in the report on its eighth meeting (E/ICEF/2003/8), that the Committee be discontinued, and *requests* the UNICEF secretariat to work with the UNESCO Secretariat to propose how to strengthen coordination within existing structures.

First regular session

15 January 2003